

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION
MINUTES OF THE MEETING OF THE COMMISSION

August 15, 2012

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, August 15, 2012, at 11:00 a.m. on the 36th Floor of the Rhodes State Office Tower, 30 East Broad Street, Columbus, Ohio, written notice of which had been given to all members of the Commission.

The following members attended: Thomas Needles, Chair; David Cannon, Vice Chair; Kenneth Kutina, Secretary; Lynnda Davis; James Shindler; and John Wells. Absent from the meeting were: Wanda Carter; Susan Tate; and James Wilson. Also present were: a representative of the institution appearing before the Commission; Ben Christensen of the Ohio Board of Regents; and Alexander G. Burlingame of Squire Sanders (US) LLP, Bond Counsel to the Commission.

The meeting was called to order by the Chair. Upon call of the roll, the Secretary declared that a quorum was present. He also stated that the notice of this meeting had been given to all media, organizations or other persons who requested that information in accordance, and in full compliance, with Section 121.22 of the Revised Code.

The Chair noted that the minutes of the Commission meeting of July 18, 2012, were sent to each member prior to this meeting; those minutes are also included in the meeting books for each member. Upon a motion by Mr. Wells that was seconded by Mr. Shindler, all Commission members present approved the minutes of that meeting.

UNIVERSITY HOSPITALS HEALTH SYSTEM

The Chair next called upon Bradley Bond, Vice President, Treasury, to speak to the Commission members regarding University Hospitals Health System's financing request. Mr. Bond thanked the Commission members noting that the bond market is seeing some of its lowest interest rates ever and the Health System is eager to complete a refinancing of a portion of its outstanding Series 2009B and Series 2009C Bonds issued by the Commission. The Health System is seeking final approval for that refinancing. Health System quality measures continue to improve, with all but one discipline showing improvement in recent U.S. News rankings. The Health System's cancer program noted an increase in ranking from 36 to 18. Further evidence of Health System quality is its recent receipt of the AHA McKesson Quest for Quality Prize. This is the first time a large urban academic medical center has earned the prize. Health System patient volume has increased, with contributions from the new Ahuja Medical Center and Seidman Cancer Center. The local health care market has experienced some recent decline, in substantial part due to high-deductible health plans. The Health System had \$32 million of net operating revenue through the month of June, which is in line with its budget. Given market conditions, the Health System is actively monitoring expenses, and is looking to see patient volumes increase at the end of the year before health plan deductibles "reset" at the beginning of the next calendar year. Certain of the Series 2009 Bonds which are the subject of the proposed refinance transaction bear interest at rates as high as 6.25% and the Health System expects to achieve significant cost savings through the refinance transaction.

The Health System also is seeking preliminary approval for the construction of a new approximately 1,400-space parking garage and certain other capital expenditures. The new garage will replace an existing garage that was built in 1980 and is approaching the end of its useful life. While the plan of finance for the parking garage is yet to be determined, the Health System anticipates commencing the project soon. Mr. Bond then inquired of the Commission members as to whether there were any questions.

Responding to a question from Dr. Kutina, Mr. Bond confirmed that approximately \$30 million of the proposed preliminary approval would be for the new parking garage, with the remaining \$10 million being for other capital projects of the Health System, including such items as the acquisition of medical imaging equipment. Mr. Bond also confirmed that the Health System's Harrington Project will include for-profit and nonprofit elements. The nonprofit element would be for the purpose of providing scholarships that promote early- to mid-stage development of drugs that are otherwise difficult to finance. The for-profit element of the program would partner with larger pharmaceutical companies in cooperative arrangements to further provide for licensing and regulatory approval of new drugs. Mr. Bond noted that FDA approvals of new drugs have declined 33% over the last three to four years. Funds within the Harrington Project will not be invested as an endowment, but rather will be spent over the next five years. In response to a question from Mr. Cannon, Mr. Bond confirmed that the Health System carefully monitors the use of its space in relation to its tax-exempt bond covenants and related IRS regulations. In respect of the operation of the for-profit aspects of the Harrington Project, the Health System monitors the percent of use so as not to exceed applicable limits. As part of its compliance efforts, the Health System maintains equity components in each of the buildings that are financed with tax-exempt bonds. Responding to further questions from Mr. Cannon, Mr. Bond confirmed that the location of the new garage will be at the same location of

the garage it is replacing on the Health System's main Cleveland campus. The Health System does not expect to change the cost charged to employees to park at the garage. Mr. Bond noted that for certain other projects the Health System has used a port authority. Mr. Bond, however, confirmed that he likes working with the Commission noting that the Health System was the first hospital to use the Commission when it was granted power to issue bonds for health care facilities several years ago. Originally the Health System had issued bonds through Cuyahoga County. However, the Commission's fee structure and procedures were advantageous. Mr. Bond stated that the Health System appreciates the team that has been assembled to work on its financings. The success of recent Health System financings through the Commission is evidenced by the recent *Wall Street Journal* article on the subject in which Mr. Bond was quoted. In response to comments from Mr. Needles and further discussion, Mr. Bond noted that port authority fee structure has been effectively revised to match that of the Commission. Mr. Bond further noted that an element of its future financing with the Commission will be in connection with the Health System's discounted pricing program for low-income patients. Federal law requires that the Health System maintain certain contracts with a governmental body to achieve certain discounted pricing benefits. These provisions historically have been in agreements between the Health System and Cuyahoga County. However, the Health System is approaching the point where it will no longer have outstanding bonds issued through the County and the need will arise soon for those provisions to be included with the Health System's lease with the Commission. In response to additional questions from Dr. Kutina and Mr. Needles, Mr. Bond confirmed that the so-called "340b Program" exists for the purpose of providing discounted pricing to low-income patients by meeting certain charity standards. Mr. Bond further confirmed that the plan of finance for the proposed parking garage has not been finalized and it may be that the Health System does not finance the garage with bonds at all. However, given the fast pace at which the project is proceeding, Mr. Bond wanted to come to the Commission now for preliminary approval. The Commission next considered two resolutions for the Health System.

In respect of the parking garage project, Mr. Burlingame stated that the first resolution approves the Preliminary Agreement with the Health System. That agreement and related resolution preliminarily approve the financing transaction and are in their usual form.

Mr. Wells moved and Mrs. Davis seconded the motion that Resolution No. 2012-20 be adopted.

There being no further discussion, the Chair called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Cannon; Davis; Kutina; Needles; Shindler; Wells

Nay: None

The Chair declared the motion passed and Resolution No. 2012-20 adopted.

Resolution No. 2012-20 is as follows:

In respect of the final approval for the refinance transaction, Mr. Burlingame stated that the bond documents have been prepared and are presented in substantially final form. The resolution under consideration approves the bond issue and related bond documents and authorizes the issuance of the bonds.

Mr. Cannon moved and Mr. Shindler seconded the motion that Resolution No. 2012-21 be adopted.

There being no further discussion, the Chair called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Cannon; Davis; Kutina; Needles; Shindler; Wells

Nay: None

The Chair declared the motion passed and Resolution No. 2012-21 adopted.

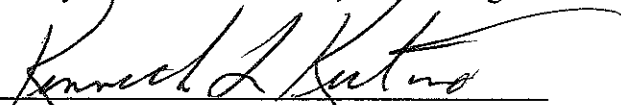
Resolution No. 2012-21 is as follows:

OTHER BUSINESS

The Commission discussed its current fee policy and whether it should be revised given the Commission's financial needs. Mr. Christensen noted that, given the high number of financings over the last several years, the Commission does maintain a positive balance in its account. Mr. Burlingame noted that the agenda for the next Commission meeting will include a discussion of the Commission's fee practices.

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on September 19, 2012, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.


Secretary 9/19/2012